



Fiscal Year 2013

April-September

USAID Office of Inspector General

AFGHANISTAN OVERSIGHT SEMIANNUAL BRIEF

USAID OIG provides comprehensive oversight of USAID programs in Afghanistan.

- Our Kabul office had 13 personnel at the end of fiscal year (FY) 2013.

OIG performs the full complement of oversight activities in Afghanistan.

- *Performance audits and reviews* provide independent assessments of USAID systems, programs, activities, and functions against objective criteria, best practices, and other information.
- *Financial audits* are designed to determine whether costs charged to the U.S. Government were reasonable, allocable, or allowable under U.S. Government and USAID requirements and the terms of the grant, cooperative agreement, or contract. These audits also examine related internal controls and compliance.
- *Investigations* of criminal, civil, and administrative violations cover all facets of USAID programs and operations.
- *Outreach and coordination* are also central features of OIG's oversight engagement in Afghanistan.

Audit program

- Since the start of FY 2003, USAID OIG has issued 123 financial audits, performance audits, and reviews of Afghanistan-related assistance efforts. These reports made 423 recommendations for improvement.

Performance audits and reviews

- OIG has issued 53 performance audits and reviews relating to USAID programs and activities in Afghanistan since FY 2003.

In recent years, OIG performance audits and reviews have addressed a broad range of USAID programs in Afghanistan, including:

- Activities to develop and sustain the country's infrastructure.
- On-budget (i.e., government to government) funding of Afghan ministries.
- Programs focused on economic growth, including support for licit and profitable agricultural activities.
- Support to the country's electoral processes and efforts to foster an active civil society .

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(Photo by OIG, July 27, 2011)

A carpentry student at Kunar Vocational Organization, which received support through USAID's Skills Training for Afghan Youth Project.

OIG's audit of the program, issued in 2012, found compliance concerns as well as problems with contract and project management.

OIG performance audits and reviews conducted in recent years have noted needed improvements in several areas.

- Three-quarters of OIG performance audit reports found noncompliance with relevant regulations or procedures.
- Over half of our reports found weaknesses in contract or project management.
- More than four in ten reports found inadequate internal controls.

In the last half of FY 2013, OIG issued 2 Afghanistan performance audits.

Audit of USAID/Afghanistan's Kandahar Helmand Power Project (Report Number [F-306-13-001-P](#), September 25, 2013). In December 2010, USAID/Afghanistan awarded a \$266 million contract to Black & Veatch Special Projects Corp. to support the Kandahar Power Initiative, later renamed Kandahar Helmand Power Project (KHPP). The project was designed to contribute to a national program to improve the South East Power System and connect it with other electrical grids in the country. KHPP includes expanding renewable power and diesel

power supply, as well as upgrading transmission substations and installing a new turbine generator at the Kajaki Dam Hydropower Plant and Helmand Province.

USAID faced challenges in completing KHPP as originally planned. KHPP suffered from ongoing security threats and its scope was affected by changes in strategic priorities following the announcement by the Afghan Government and the NATO-led International Security Assistance Force that NATO troops would leave the country by 2014. OIG found weaknesses regarding oversight of environmental compliance and sustainability planning. The mission also was unable to track implementation and financial progress adequately, partially as a result of high turnover among staff and a focus on starting the project. OIG made three recommendations; the mission agreed with each of them.

Audit of USAID/Afghanistan's Use of Third-Country Nationals (Report Number [F-306-13-002-P](#), August 31, 2013). In 2003, USAID needed to quickly staff its new Afghanistan mission with qualified personnel. To meet staffing needs, USAID encouraged experienced third-country nationals (TCNs) from other missions to work in Afghanistan. From 2004 to 2012, USAID/Afghanistan employed 59 TCNs long-term (for more than 6 months). From 2003 to mid-2013, the mission brought in 96 TCNs for temporary-duty assignments (6 months or less).

Some TCNs occupied positions for years, despite initial expectations that their use would be temporary. The mission also did not manage its use of TCN personal services contractors according to applicable regulations and policies in three areas: justification of TCN recruitment, classification of positions held by TCNs, and justification of sole-sourcing TCN contracts. OIG made six recommendations; management decisions were made on all of them and final action was taken on one.

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Three additional OIG performance audits and reviews were under way at the end of the quarter.

- This work related to USAID's electoral assistance program, its use of Department of Defense Commanders' Emergency Response Program (CERP) funds, and its management controls over over-time compensation.

Financial audits

- Financial audits are conducted annually on foreign nonprofits that expend \$300,000+ in U.S. funds per year, U.S. nonprofits that expend \$500,000+, and for-profit firms based on risk. In addition, USAID audits all grant, cooperative agreement, and contract costs incurred in Afghanistan.
- OIG has overseen 70 financial audits of Afghanistan-based programs and activities since FY 2003.
- These financial audits have covered more than \$1.78 billion in funds and identified about \$168.3 million in questioned costs. Of this total, USAID had sustained \$98.9 million.

OIG issued 15 Afghanistan-based financial audits during the period while 20 others were underway at the end of FY 2013.

Investigative Program

Since FY 2003, OIG has initiated 207 investigations related to Afghanistan that have produced:

- 44 referrals for civil or criminal prosecution
- 15 arrests and 14 indictments
- 13 convictions and pleadings
- 117 administrative actions (e.g., contract and employee terminations)
- \$163 million in savings and recoveries

OIG investigations are associated with a range of different types of allegations. In most cases, underlying allegations have pertained to program fraud (36 percent) or bribery and kickbacks (24 percent).

By the end of the period, OIG had 75 ongoing investigations pertaining to Afghanistan.

- During the period, investigators opened two cases in Afghanistan and closed six others.

During the period, one OIG investigation led to the termination of an FSN employee, and another resulted in the termination of an Afghan National working for a USAID implementing partner:

- OIG received an anonymous complaint in May 2012 alleging favoritism in the employee hiring process and falsification of diplomas and transcripts by applicants in their job applications to USAID/Afghanistan. The OIG disproved allegations of favoritism; however, it found that a Foreign Service National (FSN) employee submitted false degree and diploma documentation to USAID. In July 2013, the FSN employee was terminated as a result of the investigation. USAID Afghanistan has since implemented a policy requiring all transcripts and degree documentation be verified prior to hiring FSN employees.

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- In July 2013, USAID contractor Black & Veatch terminated the employment of an Afghan Deputy Administrative Procurement Manager in Kandahar who was working on a USAID-funded project. The termination was based on information obtained during an OIG investigation that established that the former employee knowingly selected a relative to receive a \$277,000 diesel fuel subcontract. Black & Veatch acknowledged that the former employee did not effectively enforce the company's procurement procedures. It also reimbursed USAID for the time the employee spent reviewing the procurement. Black & Veatch reported it has since implemented internal controls aimed at preventing future occurrences of such behavior.

Outreach and Coordination

OIG investigators conduct fraud awareness briefings to alert employees, contractors, grantees, and subrecipients to fraudulent practices and provide guidance on how to report fraud.

- During the last half of FY 2013, OIG investigators delivered 30 fraud awareness briefings in Afghanistan attended by 600 participants.
- OIG has provided 170 fraud awareness briefings to 3,133 participants since FY 2003.

OIG coordinates investigative and audit activity with other oversight and law enforcement agencies and works with local authorities when appropriate.

OIG's approach to oversight in Afghanistan has produced dividends for taxpayers.

- Whereas we have expended \$27 million on oversight in Afghanistan since FY 2003, our audit and investigative work yielded \$293.3 million in returns to the U.S. Government through audit and investigative savings and recoveries.
- This amounts to a \$10.86 return on each dollar spent on USAID OIG oversight in Afghanistan.



In addition to these direct savings and recoveries, OIG prevents a significant amount of waste, fraud, and abuse, and contributes to future economies and efficiencies through investigative and audit work.

USAID Office of Inspector General

1300 Pennsylvania Ave, NW

Washington, DC 20520

202.712.1150

<http://oig.usaid.gov/>